



ABBEY
LIFE INSURANCE
COMPANY OF
CANADA

1968 ANNUAL REPORT

Our Annual report to Shareholders of Abbey Life Insurance Company of Canada is in a new and, we hope, more interesting form this year. We believe that Shareholders will be able to appreciate more fully the progress of, and future prospects for, their Company when they can view it in the context of the accomplishments of the sister companies elsewhere in the world.

This year, the Annual Report of Abbey Canada comes to you as part of an overall report on the unparalleled growth of the Abbey International Group of companies in the United Kingdom, the Netherlands, the Bahamas, the United States and, of course, Canada. In this report you will find comment on your company since it joined the Abbey International Group at the end of 1967, on the scope of its operations, and a brief look into the future for life insurance policies and annuities based on common stocks, the products which the Abbey Group has pioneered and on which its remarkable success has been built. We, in Canada, call these products Abbey Funds plans.

In this folder you are now reading, you will find our balance sheet and a summary of our operations in 1968. In spite of the cost of setting up the marketing program for our Abbey Funds plans and the costly uncertainties relating to Government legislation and regulation commented upon elsewhere in this report, your Company was able to report a satisfactory year with a reduction in its loss for the third consecutive year. From the foundation laid in 1968, we look forward to substantial development in our sales in 1969.

Cordially,

Norman G. James, C.L.U.
President

BALANCE SHEET

ABBEE LIFE INSURANCE COMPANY OF CANADA
December 31, 1968, and December 31, 1967

NOTES TO FINANCIAL STATEMENT

ABBEE LIFE INSURANCE
COMPANY OF CANADA
December 31, 1968

NOTE A — INVESTMENTS

Bonds and debentures are carried at amortized cost and the aggregate is \$295,185 — 1967 — \$174,901 more than quoted market value. Common shares are carried at cost \$441,581 — 1967 — \$44,577. (Market \$464,336 and \$25,465 respectively.)

NOTE B — ABBEE NORTH AMERICAN FUND

Common shares of the Abbee North American Fund are carried at market value which is in excess of cost by \$9,639. The assets of the fund are valued at market in order to reflect the actual liabilities of the fund which are represented by the value of the units allocated to unitholders.

NOTE C — RESERVES FOR INSURANCE AND ANNUITY CONTRACTS

The valuation bases of certain actuarial reserves were changed effective January 1, 1968. The resultant reserve strengthening of \$68,259 as at that date has been charged to general surplus reflecting an accumulated adjustment to prior years' operations. The net effect of the change on 1967 operations has not been determined for comparative purposes.

NOTE D — SHARE PURCHASE WARRANTS

At December 31, 1968, there are outstanding 125,000 share purchase warrants which were issued in 1964, and may be exercised on or before December 31, 1974, at the following prices per share:

\$15.00 until December 31, 1969;
\$17.00 thereafter and until December 31, 1972;
\$20.00 thereafter and until December 31, 1974.

ASSETS

	1968	1967
Investments — Note A		
Bonds and debentures	\$2,360,097	\$1,232,606
Mortgages	931,464	1,174,024
Common shares	441,581	44,577
Short term deposits	150,000	860,000
	<u>\$3,883,142</u>	<u>\$3,311,207</u>
Accrued interest on investments	48,611	33,010
Cash on hand and in banks	18,788	61,035
Premiums receivable	23,170	35,788
Other receivables	104,371	41,888
Abbee North American Fund — Note B		
Common shares — at market value (cost \$116,950)	126,588	—
Cash	4,797	—
	<u>\$ 131,385</u>	<u>—</u>
	<u>\$4,209,467</u>	<u>\$3,482,928</u>

LIABILITIES, CAPITAL AND SURPLUS

Reserves for insurance and annuity contracts — Note C	\$1,371,382	\$ 913,701
Outstanding claims including provision for unreported claims	205,011	97,156
Insurance premiums paid in advance	22,509	33,491
Provision for policyholders' dividends	57,250	45,022
Amounts received with insurance applications not yet allocated	8,536	8,321
Premium taxes payable	3,633	6,368
Other liabilities	84,830	87,844
	<u>\$1,753,151</u>	<u>\$1,191,903</u>
Abbee North American Fund — unitholders' reserve — Note B	\$ 131,385	\$ —
Capital and surplus — Note D		
Capital stock — authorized, 2,000,000 shares of \$2.00 par value — Note G		
— issued, 500,000 shares — Note F	\$1,000,000	\$2,240,550
General surplus	1,324,931	50,475
	<u>\$2,324,931</u>	<u>\$2,291,025</u>
	<u>\$4,209,467</u>	<u>\$3,482,928</u>

SUMMARY OF OPERATIONS

ABBEY LIFE INSURANCE COMPANY OF CANADA

For the years ended December 31, 1968, and December 31, 1967

	1968	1967
INCOME		
Premiums and annuity considerations	\$1,363,243	\$1,345,351
Earnings from investments	227,523	149,750
	<u>\$1,590,766</u>	<u>\$1,495,101</u>
Less: Net cost of reinsurance	183,049	167,778
	<u>\$1,407,717</u>	<u>\$1,327,323</u>
DISTRIBUTION		
For policyholders and beneficiaries – Death, disability, annuity and health insurance benefits	\$ 311,574	\$ 279,588
To policyholders' reserves – Note C	414,504	396,454
For operating expenses – New insurance and field service to policyholders	348,343	466,834
Administration costs in head office and branch offices	527,514	430,027
Premium tax	21,102	18,411
	<u>\$1,623,037</u>	<u>\$1,591,314</u>
NET LOSS FOR YEAR	<u>\$ 215,320</u>	<u>\$ 263,991</u>

SUMMARY OF GENERAL SURPLUS

ABBEY LIFE INSURANCE COMPANY OF CANADA

For the years ended December 31, 1968, and December 31, 1967

BALANCE – BEGINNING OF YEAR	\$ 50,475	\$ 17,244
Add: Surplus arising from the premium on the issue of common shares (Note C F)	155,670	302,250
Surplus arising from the reduction of the par value of common shares (Note B G)	1,500,000	–
	<u>\$1,706,145</u>	<u>\$ 319,494</u>
Less: Policyholders' deficit arising from the following:		
Net loss for the year	\$ 215,320	\$ 263,991
Increase in special reserves		
Group life catastrophe	1,935	–
Abbey North American Fund	94,729	–
Increase in actuarial reserves due to changes in valuation bases – Note C	68,259	–
Net realized loss on investments	971	–
Provision for loss on investments	–	5,028
	<u>\$ 381,214</u>	<u>\$ 269,019</u>
BALANCE – END OF YEAR	<u>\$1,324,931</u>	<u>\$ 50,475</u>

NOTES TO FINANCIAL STATEMENT

CONTINUED

NOTE E – OPTIONS TO PURCHASE SHARES

There are 33,576 shares reserved for options outstanding of which 31,876 are allocated to sales personnel, agents, general agents and other company personnel, and 1,700 granted to other individuals. All options must be exercised at a price per share of the greater of \$10.00 or 85% of the market value upon certain dates specified by the Board of Directors. The options may be earned by Company personnel in accordance with a formula established by the Board of Directors and options to purchase 24,076 shares of the above 31,876 have been earned as at December 31, 1968. No options were exercised during 1968.

Options to purchase 12,000 shares have been granted to certain officers of the Company at a price of \$10.00 per share. They are earned by service with the Company and must be exercised by April 30, 1974. Options to purchase 7,000 shares have been earned as at December 31, 1968. No options were exercised during 1968.

NOTE F – SHARES ISSUED

During the year 51,890 shares of a par value of \$5.00 each were issued for a cash consideration of \$8.00 each. The proceeds of \$415,120 were allocated \$259,450 to capital stock and \$155,670 to general surplus.

NOTE G – CHANGE IN PAR VALUE OF COMMON SHARES

During the year the company by Supplementary Letters Patent reduced the par value of common shares from \$5.00 to \$2.00 per share and the balance of \$3.00 per share aggregating \$1,500,000 was transferred to general surplus.

Approved on behalf of the Board: Norman James, President
David Goldberg, Director

ACTUARIAL CERTIFICATE

We have examined the calculations as of December 31, 1968, of policy reserves for Abbey Life Insurance Company of Canada. In our opinion, subject to the accuracy of the basic records, the policy reserves of \$1,369,447 (Canadian) are fairly stated in accordance with generally accepted actuarial principles. The amount of reserves includes \$68,259 (Canadian) for reserve strengthening.

Bowles & Tillinghast, Inc.
John P. Tillinghast, F.S.A.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Abbey Life Insurance Company of Canada.

We have examined the financial statement of Abbey Life Insurance Company of Canada for the year ended December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have relied upon the opinion as reported to us by independent actuaries that policy reserves are fairly stated, in accordance with generally accepted actuarial principles.

In our opinion, based upon our examination and the aforementioned report of independent actuaries, the accompanying balance sheet, summaries of general surplus and operations, present fairly the financial position of Abbey Life Insurance Company of Canada at December 31, 1968, and the results of its operations for the year then ended, in conformity with accounting practices prescribed by the insurance laws of the Province of Ontario, which, except for the change explained in Note C, have been applied on a basis consistent with that of the preceding year.

March 14, 1969.

Ernst & Ernst
Chartered Accountants



ABBHEY

LIFE INSURANCE COMPANY OF CANADA
HAMILTON, ONTARIO